

Message Text

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ACTION NEA-10

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E.O. 11652: GDS
TAGS: ETRD, MTN
SUBJECT: MTN: U.S. NEGOTIATING OBJECTIVES

REF: 76 STATE 308198

1. PRINCIPAL TARIFF AND NON-TARIFF BARRIERS TO TRADE
WHICH COULD BE ADDRESSED IN MTN NEGOTIATIONS CONCERN
IRAQI IMPORT OF US-MADE AUTOMOBILES. FOLLOWING INFORMA-
TION IS KEYED TO QUESTIONS IN PARAGRAPH 2 REFTEL.

2. TARIFF BARRIERS. THE GOI IMPOSES A DISCRIMINATORY
TARIFF OF 300 PERCENT AGAINST ALL US VEHICLES (AS WELL AS
GERMAN-MADE MERCEDES). DUTY ON OTHER IMPORTED CARS IS
120-140 PERCENT, EXCEPT FOR EGYPTIAN-MADE CARS (FIATS)
WHICH ENTER DUTY FREE UNDER ARAB COMMON MARKET AGREEMENT.
GOI ALSO ASSESSES 50 PERCENT COMMISSION FOR IRAQI GENERAL
AUTOMOBILE COMPANY AND 15 PERCENT SURCHARGE,
INSTIGATED IN 1967 AFTER ARAB-ISRAELI WAR, ON ALL CARS.
THUS, TOTAL ASSESSMENT ON US-MADE CARS (AND MERCEDES) IS
365 PERCENT VS. 185-205 PERCENT FOR ALL OTHER CARS EXCEPT
EGYPTIAN-MADE FIATS, WHICH IS 65 PERCENT.

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3. U.S. MARKET SHARE HAS BEEN VERY LOW SINCE ABOUT 1970.
IN 1972 SALES WERE ABOUT 2.4 MILLION DOLLARS OUT OF A TOTAL
OF APPROXIMATELY 65 MILLION DOLLARS WORTH OF IMPORTS, IN
1973, 2.4 MILLION DOLLARS OUT OF 67 MILLION DOLLARS' WORTH
OF IMPORTS; IN 1974, 7 MILLION DOLLARS OUT OF 216 MILLION
DOLLARS WORTH OF IMPORTS. POTENTIAL FOR INCREASED SALES

OF AMERICAN SHARE IS TREMENDOUS AS AMERICAN CARS ARE THE MOST POPULAR MAKE IN IRAQ.

4. NON-TARIFF BARRIERS. PRINCIPAL REASON FOR LOW U.S. SALES IS UNWILLINGNESS OF GENERAL AUTOMOBILE COMPANY (GAC) TO IMPORT FOR IRAQI PRIVATE MARKET. EVEN AT THE HIGH DUTIES DESCRIBED ABOVE, WE ESTIMATE THERE WOULD BE A CONSIDERABLE MARKET. IN FACT, WE HAVE BEEN TOLD THAT THE PRINCIPAL REASON FOR THE DISCRIMINATORILY HIGH TARIFF AND GAC REFUSAL TO IMPORT US-MADE CARS IS THAT ANTICIPATED HIGH DEMAND WOULD UPSET TRADE AGREEMENTS WHICH IRAQ HAS WITH OTHER SUPPLIERS, PARTICULARLY THOSE IN EASTERN EUROPE.

5. SECOND NON-TARIFF BARRIER IS IRAQI TRADE ORGANIZATION BOARD REGULATION ISSUED IN SEPTEMBER 1976 WHICH PROHIBITS PRIVATE INDIVIDUALS FROM IMPORTING US-MADE CARS OUTSIDE THE FRAMEWORK OF THE GENERAL AUTOMOBILE COMPANY. RELEVANT PASSAGE IS ARTICLE 6, SUBPARAGRAPH 3 QUOTED BELOW:

"THE IMPORTATION OF CARS FROM WEST GERMANY AND UNITED STATES OF AMERICA ORIGIN SHALL BE PROHIBITED, WITH THE EXCEPTION OF VOLKSWAGEN AND MERCEDES, WHETHER RECEIVED AS A GIFT."

6. TARIFF AND NON-TARIFF BARRIERS DESCRIBED ABOVE NOW LIMIT THE IMPORTATION OF AMERICAN CARS TO THE DIPLOMATIC COMMUNITY AND TO CERTAIN STATE ORGANIZATIONS, SUCH AS BAGHDAD POLICE FORCE, WHICH HAVE AUTHORITY TO IMPORT VEHICLES OUTSIDE GAC.
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7. PRIMARY GOALS OF HOST GOVERNMENT IN MTN. IRAQ HAS SPECIAL BILATERAL TRADING RELATIONSHIPS WITH EASTERN EUROPE AS WELL AS SEVERAL OTHER COUNTRIES INCLUDING YUGOSLAVIA AND JAPAN. IT ALSO PARTICIPATES IN THE ARAB COMMON MARKET. IRAQ WILL LIKELY ENDORSE PRINCIPLES SUCH AS MFN BUT CONTINUE TO SHAPE ITS TRADING RELATIONSHIPS BY ITS OWN SPECIAL POLITICAL AND ECONOMIC INTERESTS. IN REGARD TO THE AUTOMOBILE TARIFF AND NON-TARIFF BARRIERS MENTIONED ABOVE, WE HAVE TOLD THE IRAQIS THAT WE REGARD THE 300 PERCENT TARIFF AS VIOLATION OF MFN AND OF THE 1938 TREATY OF COMMERCE AND NAVIGATION WHICH THE GOI IN APRIL 1976 CONFIRMED AS STILL VALID.
IRAQI GOVERNMENT ABILITY TO MAKE A MEANINGFUL CONTRIBUTION IN THIS PRODUCT-SPECIFIED AREA WILL MOST LIKELY BE DETERMINED BY POLITICAL REASONS RATHER THAN ECONOMIC ARGUMENTS.

8. DOCUMENTATION. COPY OF NEW TRADE ORGANIZATIONS BOARD

REGULATION NO. 851 OF SEPTEMBER 14, 1976 IS BEING
POUCHED WASHINGTON. OTHER DOCUMENTATION CONCERNING TARIFFS
ARE NOT AVAILABLE AS THE IRAQI GOVERNMENT REGARDS THEM AS
CLASSIFIED DOCUMENTS.
WILEY

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